1 Economic performance and outlook

Features

- Queensland economic growth is forecast to strengthen in the near term and remain robust across the forward estimates. However, any escalation (or resolution) of global geopolitical tensions and trade policies present higher than usual uncertainty to the outlook.
- Reflecting intensifying downside risks to the outlook, in its April 2025 *World Economic Outlook* the International Monetary Fund (IMF) downgraded global growth forecasts from those published in January 2025.
- While cost-of-living pressures will remain a concern for Queensland households following a period of elevated growth in consumer prices, nationally, the Reserve Bank of Australia (RBA) forecasts underlying inflation to stabilise at the mid-point of their target band going forward. Lower interest rates, stronger consumer spending and business investment are forecast to support a gradual strengthening of national economic growth.
- Queensland's Gross State Product (GSP) growth is forecast to be 2½ per cent in 2024–25, accelerating from 2.1 per cent in 2023–24 supported by stronger public sector activity.
- Growth across major private investment components so far in 2024–25 has been constrained, while tight financial conditions have also subdued household consumption despite strong population growth.
- At the same time, the contribution from the overseas trade sector has moderated as exports growth eases from elevated levels.
- Consecutive natural disasters affecting several areas of the state in early 2025 have also weighed on growth. These events, along with potential effects of protectionist trade policies across the globe, are estimated to have reduced Queensland GSP growth by around ¾ percentage point in 2024–25.
- An expected rebalancing of economic drivers is forecast to deliver stronger GSP growth of 2¾ per cent in 2025–26. While public demand will remain robust, private sector spending, including private investment, is forecast to strengthen and be an important driver of activity.
- Economic growth is forecast to be 2½ per cent in 2026–27, with imports growing faster than exports. Goods imports are forecast to grow strongly in line with the recovery in domestic conditions, while strength in services imports continues.
- With state final demand forecast to be stronger than previously anticipated, labour market conditions are also expected to remain strong. Ongoing jobs growth is expected to see employment growth average 3 per cent in 2024–25, before stabilising at 1½ per cent from 2025–26, broadly in line with population growth.
- The unemployment rate is forecast to remain lower for longer, but edge higher from 4 per cent in 2024–25 to reach 4¾ per cent in 2028–29, still below the long-run average.

1.1 International conditions

The international economy has entered another period of uncertainty, primarily driven by new and wide-ranging tariff measures announced by the United States (US) and retaliatory measures by some key trading partners.

The ongoing conflicts in Ukraine and the Middle East also continue to contribute to a heightened level of uncertainty around the global economic outlook.

Global economic growth was 3.3 per cent in 2024, below the 20-year pre-COVID-19 average of 3.8 per cent. The IMF's April 2025 forecasts show global economic growth is expected to soften to 2.8 per cent in 2025 and 3.0 per cent in 2026, representing significant downgrades from the IMF's January 2025 forecasts – by 0.5 and 0.3 percentage points in 2025 and 2026, respectively.

The global interest rate outlook has changed in recent months. While the central banks of many advanced economies began reducing rates in the second half of 2024, interest rates are expected to be cut further over the remainder of 2025, reflecting a softer global economic growth outlook.

The impact of recently announced tariffs on inflation is uncertain. While tariffs on imported goods are expected to lead to a one-off increase in the price of these goods, there is also the potential for price rises to impact consumers' longer term inflation expectations.

The tariffs may also prove to be inflationary in the long-run due to the negative effect on productivity of countries onshoring historically less productive industries. Conversely, many analysts expect the tariffs could be disinflationary, driven by the expected moderation in growth.

The deterioration in the economic outlook extends to Queensland's major trading partners (MTPs), with the IMF forecasting growth for Queensland's MTPs of 2.9 per cent in 2025 and 3.0 per cent in 2026, representing downgrades since January 2025 of around ½ percentage point per year.

China's economy was already facing numerous headwinds prior to the escalation of the US–China trade tensions, including ongoing challenges with the country's property sector in recent years.

China's economic growth slowed to 5 per cent in 2024, down from 5.4 per cent the prior year and below the 20-year average of around 8 per cent. The IMF's latest forecasts show China's economic growth is expected to slow further to 4.0 per cent in both 2025 and 2026. A more severe slowdown in China's economy is likely to have flow-on impacts, including reducing demand for Queensland's exports.

Economic growth in the US was 2.8 per cent in 2024, outperforming other advanced economies. The US labour market has remained tight, with the unemployment rate around 4 per cent, and inflation has fallen from recent peaks. Further progress towards the Federal Reserve's 2 per cent target is likely to be affected by the imposition of tariffs on imported goods.

Since the announcement of tariffs, the IMF has forecast US economic growth to slow to 1.8 per cent in 2025 and 1.7 per cent in 2026. Risks remain skewed to the downside, with the IMF's latest *World Economic Outlook* report indicating rising fears that the world's largest economy could fall into recession.

1.2 National conditions

Growth in the national economy remains subdued, with annual growth at 1.3 per cent in March quarter 2025.

Despite sluggish growth, the labour market has remained strong. However, this is in part due to declining productivity, with Gross Domestic Product (GDP) per hour worked falling by 1.0 per cent over the year to March quarter 2025. In May 2025, national employment rose by 2.3 per cent over the year while the unemployment rate remained low at 4.1 per cent.

Subdued economic growth has supported a significant easing in inflationary pressures.

Annual underlying inflation has edged below the top of the RBA's target range at 2.9 per cent. The underlying inflation rate is expected to remain on a downward trend with the May RBA *Statement on Monetary Policy* (SoMP) forecasting inflation to fall to 2.6 per cent by June quarter 2025 and remain at that rate for the remainder of the forecast period.

Recent income tax reductions and improved real wages have supported growth in household disposable incomes. Financial markets are currently pricing in further reductions in interest rates over the next year.

These factors are expected to support stronger growth in household consumption spending and dwelling investment. Together with moderate improvements in business investment and continued growth in public final demand, this is expected to support stronger GDP growth.

The May 2025 SoMP projected that national GDP growth will gradually strengthen from 1.4 per cent in 2024–25 to 2.1 per cent in 2025–26 and 2.2 per cent in 2026–27.

In the near term, the recent softer GDP growth rate is expected to see the national unemployment rate rise modestly before stabilising at a still historically low rate of 4.3 per cent by the end of 2025.

1.3 Queensland conditions and outlook

Queensland's economic growth is forecast to strengthen in the near term and remain robust across the forward estimates. However, global geopolitical tensions and trade policies present higher than usual uncertainty to the outlook.

GSP growth is forecast to be 2½ per cent in 2024–25, accelerating from 2.1 per cent in 2023–24 driven by stronger public sector activity. Strong public final demand growth is expected to extend across the forecast period as service delivery and the infrastructure program delivers essential economic and social infrastructure for a growing population.

Consecutive natural disasters affecting the state in early 2025 have also weighed on growth.

These events, along with the initial effects of protectionist trade policies across the globe, are estimated to have reduced Queensland GSP growth by around ¾ percentage point in 2024–25.

An expected rebalancing of economic drivers is forecast to deliver stronger GSP growth of 2¾ per cent in 2025–26. While public demand will remain robust, private sector spending is forecast to strengthen and be a key driver of activity.

Slower underlying inflation, income tax cuts and further interest rate reductions are expected to underpin a strengthening in per capita real incomes. This will support a pick-up in consumer spending growth towards its historical average which will once again be an important driver of economic activity. Balancing this, elevated global uncertainties are likely to weigh on consumer and business sentiment.

Supply constraints have continued to restrict the ability of residential construction to meet demand. Supply constraints are expected to gradually ease over time, meaning dwelling investment is forecast to return to growth, albeit tempered by high construction costs.

Prevailing industry constraints are also impacting business investment, with momentum to be regained in 2025–26 as weather conditions are expected to normalise, borrowing costs fall and the sector progresses an elevated pipeline of non-dwelling construction work.

Noting the rebalancing in 2025–26, Queensland's economic growth is forecast to ease to 2½ per cent in 2026–27. Goods imports are forecast to grow strongly in line with the recovery in domestic conditions, while strength in services imports continues. Meanwhile, exports are expected to rise only marginally as increases in services and metallurgical coal exports are largely offset by lower metals and agricultural exports.

Domestically, major components of private demand are forecast to continue to strengthen in 2026–27 while growth in public demand is expected to ease slightly, though remaining in line with average growth across the past decade.

With ongoing momentum from rising real incomes, household consumption growth will strengthen, while a pipeline of projects is supportive of investment in new dwellings and renovation activity is also expected to improve.

Queensland's economic growth is projected to settle at a solid 2½ per cent from 2027–28, consistent with potential output growth.

With state final demand forecast to be higher than previously expected, labour market conditions are also forecast to remain strong and tight.

Ongoing jobs growth is expected to see employment growth average 3 per cent in 2024–25, before stabilising at 1½ per cent from 2025–26, broadly in line with population growth.

The unemployment rate is forecast to remain lower for longer, but edge higher from 4 per cent in 2024–25 to reach 4¾ per cent in 2028–29 (Table 1.1) — a rate more consistent with stable inflation but still well below the state's long-run average.

Growth in the wage price index (WPI) is forecast to be 3¾ per cent in 2024–25 and 3½ per cent in 2025–26 before moderating to 3 per cent by 2028–29, consistent with an easing in labour market tightness. This profile is expected to deliver ongoing real wage growth for Queensland workers.

Queensland's population growth is projected to moderate across the forecast period as overseas migration numbers normalise, slowing from 2.5 per cent in 2023–24 to 1¾ per cent in 2024–25 and 1½ per cent in 2025–26 and 2026–27.

Table 1.1 Queensland economic forecasts/projections[1]

	Actuals	Forecasts			Projections	
	2023–24	2024–25	2025–26	2026–27	2027–28	2028–29
Gross state product[2]	**2.1**	**2½**	**2¾**	**2½**	**2½**	**2½**
Employment	3.0	3	1½	1½	1½	1½
Unemployment rate[3]	4.1	4	4¼	4½	4½	4¾
Inflation[4]	4.1	2	3¼	2½	2½	2½
Wage Price Index	4.7	3¾	3½	3¼	3¼	3
Population	2.5	1¾	1½	1½	1¼	1¼

Notes:

1. Unless otherwise stated, all figures are annual percentage changes.
2. Chain volume measure (CVM), 2022–23 reference year. The comparable nominal GSP growth rates are 1.1 per cent in 2023–24, 3¾ per cent in 2024–25, 4 per cent in 2025–26 and 5 per cent in 2026–27.
3. Per cent, year-average.
4. Brisbane, per cent, year-average.

Sources: Australian Bureau of Statistics (ABS) Annual State Accounts, National, State and Territory Population, Labour Force, Wage Price Index, Consumer Price Index and Queensland Treasury.

Box 1.1 Economic impacts of natural disasters

Over March quarter 2025, vast areas of the state were impacted by severe weather events, which inflicted flooding and storm damage to homes, businesses and infrastructure and caused personal devastation and hardship to many Queenslanders.

In addition to the financial costs to households, businesses, government and insurers, the severe weather events also resulted in measurable losses in economic output.

North Queensland flooding

The North Queensland floods in late January and early February 2025 impacted a region that accounts for a significant proportion of the state's overall economic activity. This event disrupted mining and port activities with February 2025 coal export volumes around 30 per cent below their levels in the same month in 2024.

While export volumes rebounded during March, overall exports for the quarter were weaker due to the flooding. It is estimated that lost exports across all impacted sectors could reduce the value of production by around $2 billion in 2024–25 or ⅓ percentage point of GSP.

Tropical Cyclone Alfred

Ex-Tropical Cyclone Alfred in March 2025 had a significant, albeit temporary, impact on economic activity in South East Queensland. This region accounts for over half of the state's population and economic activity.

The impacts were primarily through the tourism industry and general business disruption, especially due to the widespread power outages that occurred.

It is also likely that construction activity was impacted with unseasonable weather experienced in March and across the prior 2 quarters.

Overall, it is estimated that the value of lost activity due to the initial impact of Alfred will have been in the order of $1 billion or around ¼ percentage point of GSP.

Western Queensland floods

Shortly after ex-Tropical Cyclone Alfred, vast areas of western Queensland were impacted by significant flooding. The affected regions account for a substantial share of Queensland's rural industries, especially grazing.

The major impact was on livestock losses. It is estimated the affected region accounts for around 14 per cent of Queensland's cattle herd and around 46 per cent of the sheep flock.

Preliminary estimates suggest the value of lost production, principally in beef and wool, is likely to be around $300 million or less than 0.1 per cent of annual GSP. The loss of production is likely to be spread relatively evenly over the 3-year period from 2024–25 to 2026–27.

Overall impact

These 3 major natural disasters significantly impacted activity in March quarter 2025 and, to a lesser extent, 2024–25 as a whole. While the higher-than-average rainfall in key agricultural regions is positive for grazing and cropping, rain negatively impacted construction activity during late 2024. As a result, the combined impact of the various natural disasters affecting Queensland is expected to be around ¾ percentage point of GSP.

1.3.1 Household consumption

Growth in consumer spending slowed across 2023–24 and 2024–25 as Queensland households adapted to restrictive financial conditions.

Recent Australian Bureau of Statistics (ABS) data show that the treatment of state and national cost-of-living subsidies by the ABS in the National Accounts has also reduced measured household consumption in 2024–25 (with this spending being reallocated from household to public consumption).

Growth in household consumption is expected to pick up in 2025–26, reflecting an expected strengthening in real per capita incomes as inflation slows, interest rates reduce further and income tax cuts support household incomes.

However, ongoing uncertainty in the global environment may prompt households to exercise caution and increase savings buffers, moderating spending growth to around 2½ per cent in the forecast years, in line with the pre-COVID-19 decade average.

1.3.2 Dwelling investment

Despite significant and increasing demand for housing in recent years, Queensland residential construction activity has been stagnant.

Construction productivity was significantly impacted by many factors, including material and labour shortages, and Best Practice Industry Conditions which increased the cost and deliverability of projects across the sector, including residential construction. As a result, real dwelling investment has weakened over the past 2 years.

As construction capacity has struggled to keep up with the state's strong housing demand, the value of residential work in the pipeline has surged to record highs.

A pick-up in building approvals and the backlog of work in the pipeline is expected to drive construction activity demand in the coming years.

Ongoing supply constraints and demand across the broader construction sector will continue to affect growth in dwelling investment, particularly if productivity does not improve and other constraining factors persist.

Further, the impacts of Tropical Cyclone Alfred stopped work for several days across most construction sites in South East Queensland and followed unseasonable weather conditions in previous months. With the industry already at capacity, any lost output during the March quarter may be difficult to make up in the short term.

Dwelling investment is expected to grow by 3 per cent in 2024–25, before strengthening slightly to 3¼ per cent in 2025–26 and 4 per cent in 2026–27.

Box 1.2 Housing supply and home ownership

Housing market conditions

An ongoing shortage of housing supply relative to demand has driven dwelling price growth, low vacancy rates and rapid rent rises in recent years.

The growth in demand for housing during and since the COVID-19 pandemic has been driven by strong population growth, initially due to a surge in net interstate migration and then a period of exceptionally strong net overseas migration.

Several factors have contributed to housing supply not keeping pace with demand, including residential construction output being constrained by material shortages and ongoing labour shortages, company insolvencies and weak productivity growth.

As a result, the value of residential work in the pipeline has reached record highs and the cost of construction has increased rapidly in recent years.

Housing affordability has also deteriorated since the pandemic, impacted by higher dwelling prices and higher interest rates.

Brisbane dwelling prices have risen over 70 per cent since March 2020, to a median value of around $918,000 in May 2025. Brisbane's median dwelling price to income ratio has risen from 5.3 in 2019–20 to approximately 8.3 in May 2025.

Rental markets also remain tight across Queensland, with the rental vacancy rate at a low 1.0 per cent in May 2025.

There are some positive signs that construction commencement to completion times in Queensland have begun moderating off recent peaks and there is evidence conditions are easing with new rental price growth slowing in recent quarters.

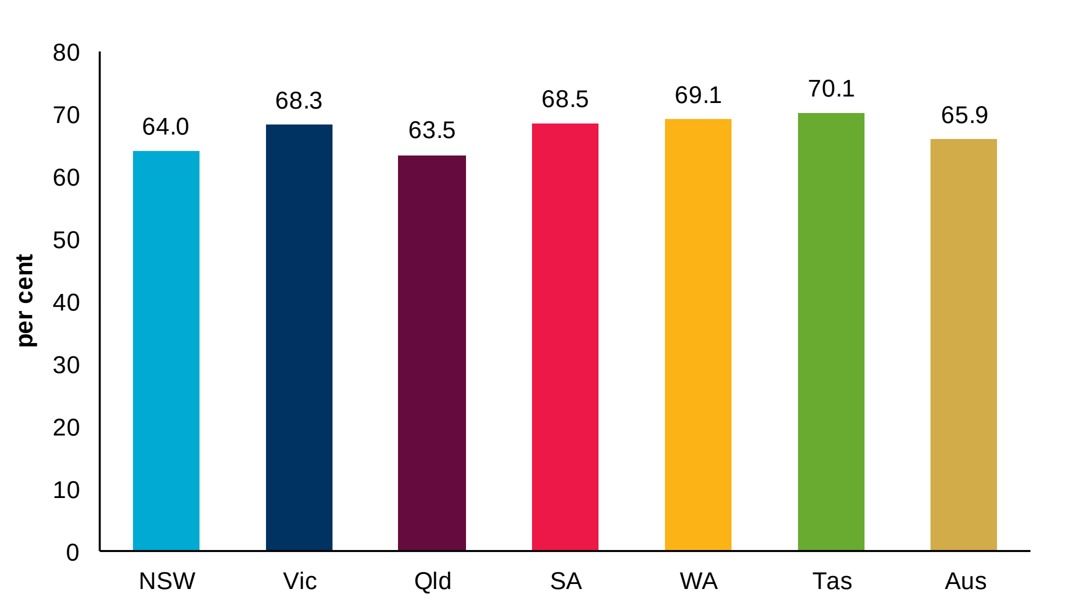
Home ownership rate

The rate of home ownership in Queensland is the lowest of any state in Australia (Chart 1.1).

In 2021, the proportion of owner-occupied dwellings (either owned outright or with a mortgage) in Queensland was 63.5 per cent — unchanged from a decade earlier and lower than the 65.4 per cent reported in 2006.

Home ownership supports the long-term economic security of individuals and families, including through increased wealth accumulation, improved labour market outcomes and greater community engagement.

Chart 1.1 Rate of home ownership[1]



Note:

1. Includes owned outright and owned with a mortgage.

Source: ABS 2021 Census of Population and Housing.

Queensland Government response

The Queensland Government is taking action to address housing market pressures and ensure home ownership is a realistic and attainable goal for households.

A Housing Ministerial Taskforce Cabinet Committee has been established to oversee actions to drive supply and provide a place to call home for more Queenslanders, sooner.

The government's *Securing our Housing Foundations Plan* will deliver one million new homes by 2044, including an additional 53,500 social and community housing dwellings.

Key initiatives implemented and announced by the government include:

- The Queensland Government is investing $165 million into Boost to Buy, a nation-leading home ownership scheme, commencing this year. Boost to Buy will close the deposit gap for eligible Queensland first home buyers, with the government funding a portion of the cost for new and existing homes.
- Since 1 May 2025, eligible first home buyers purchasing or building an eligible new home do not have to pay transfer duty. This measure will help get Queenslanders into their first home faster, while encouraging increased supply to deliver long-term affordability relief and support home ownership. Legislative amendments to allow transfer duty concession recipients to rent out part of their property during the first year of occupancy without having to repay the concession have also come into effect.
- In the 2025–26 Queensland Budget, the government has extended the $30,000 First home owner grant (FHOG) for a further 12 months to 30 June 2026. This will complement the significant relief provided by the government's removal of transfer duty for first home buyers building or purchasing a new home, as well as other existing concessions. The extension of the $30,000 FHOG will help more first home buyers unlock their first home all while driving increased supply to support broader affordability.
- Working with councils, the state will support the fast tracking of new housing developments through the $2 billion Residential Activation Fund. This includes a $1 billion minimum investment in regional communities. This program provides funding to local government and developers for trunk and essential infrastructure like water supply, sewerage, stormwater management, power, and transportation, which are needed to enable residential development.
- In this Budget, the government is also delivering increased investment of $1.967 billion over 4 years (including $1.892 billion capital funding) and an ongoing commitment of $500 million from 2029–30 to support increased delivery of social and community housing, including youth foyers and domestic and family violence shelters.

Broader supply side measures such as streamlining development approvals, ensuring appropriate planning frameworks and regulatory settings, and provision of essential trunk infrastructure to facilitate housing development, will continue to be key areas of focus for the government to improve housing affordability and home ownership rates across the state.

1.3.3 Business investment

After a strong recovery following the COVID-19 period, business investment growth slowed significantly, with business investment falling by 1.4 per cent in the year to March quarter 2025.

The lagged impact of higher interest rates and moderating business conditions, together with capacity constraints and higher costs in the construction industry, likely contributed to this weakness.

Weather conditions also played a role with the level of rainfall in the first 3 quarters of 2024–25 considerably higher than normal.

Ongoing global economic uncertainty is likely to have constrained investment activity in the first half of 2025. This will push investment activity into 2025–26 when a rebound is expected, subject to normal weather conditions being experienced.

Reflecting these constraints, overall business investment is expected to fall by 1 per cent in 2024–25 before recovering to grow by 1½ per cent in 2025–26 and 3¼ per cent in 2026–27. A rebound in non-dwelling construction is expected to be a key driver of the recovery.

1.3.4 Public final demand

Public final demand (combined government expenditure at the national, state and local levels) has recorded strong growth in recent years. The outlook is expected to remain strong.

1.3.5 Overseas exports and imports

In real terms, despite interruptions from extreme weather events, Queensland's overseas exports are estimated to grow by a further 3¼ per cent in 2024–25.

Looking ahead, supply constraints are expected to unwind and production increase across several of the state's key export sectors, including coal, liquefied natural gas (LNG), metals and agriculture.

Services exports are expected to remain unchanged in 2024–25.

Tourism has been hampered by high travel costs, airline capacity constraints and natural disasters, while international student numbers have been impacted by Australian Government policies.

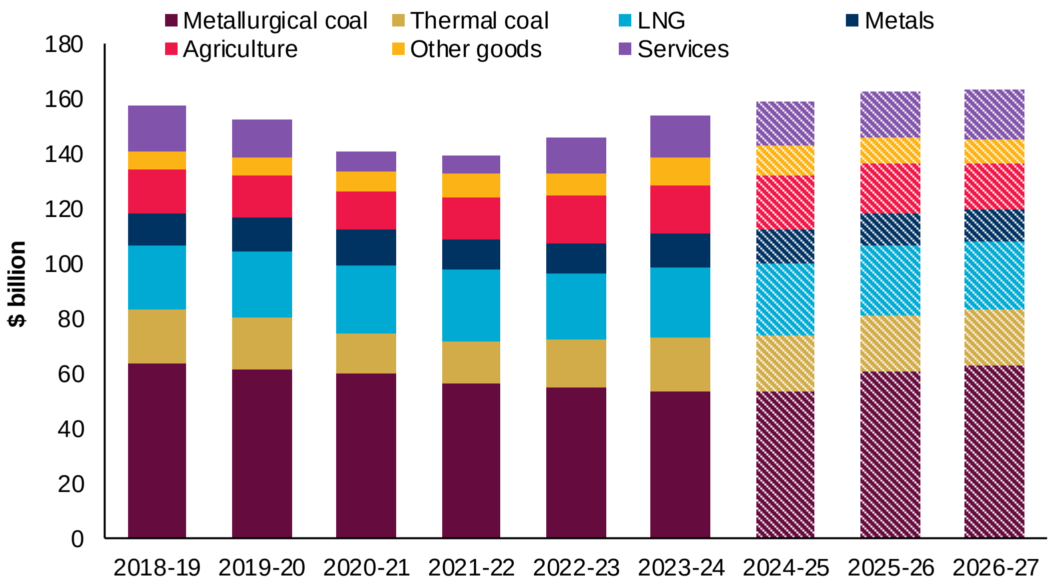
Growth in overseas exports is expected to be solid at 2¼ per cent in 2025–26 (Chart 1.2).

In 2026–27, exports are forecast to grow marginally, driven by growth in services and metallurgical coal exports, partially offset by lower metals and agriculture exports.

Growth in Queensland imports is expected to moderate to 3 per cent in 2024–25, consistent with subdued private demand and a weaker Australian dollar.

Growth is then expected to pick up to 4¾ per cent in 2025–26, in line with growth in household consumption and private investment.

Chart 1.2 Queensland real overseas exports[1]



Note:

1. Annual, CVM.

Sources: ABS Balance of Payments, ABS International Trade in Goods (unpublished), and Queensland Treasury.

Coal

Queensland's coal exports are expected to grow by 1¼ per cent in 2024–25, reflecting the easing of some supply constraints in recent years and the ramp-up of production at the Olive Downs and New Acland Stage 3 coal mines.

Coal exports were expected to grow much faster if not for the severe rainfall and flooding in North Queensland in February 2025. In the first 6 months of 2024–25, coal export volumes were 4.2 per cent above the corresponding period in 2023–24. However, coal exports fell to 10.9 million tonnes (Mt) in February 2025, down from 16.1Mt in February 2024 and the lowest monthly export total since April 2017, when exports were affected by Tropical Cyclone Debbie.

Exports subsequently rebounded to 17.4Mt in March 2025 (up from 16.5Mt in March 2024), however overall exports were still 4.6Mt (or 9.7 per cent) lower than in March quarter 2024.

Coal exports are forecast to grow by 10½ per cent in 2025–26, driven by the continued recovery of hard coking coal exports. Export volumes are expected to grow by a further 3 per cent in 2026–27 as supply conditions normalise.

Demand for Queensland's metallurgical coal is expected to be supported by growing steel production in India and emerging markets such as Vietnam. Retaliatory tariffs from China on US coal imports may provide further support for demand for Queensland's coal exports to the extent that China may seek alternative supply sources. However, concerns about the global economy more broadly following the escalating trade war present downside risks for global steel demand.

Queensland's thermal coal producers have been operating close to capacity in recent years, supported by the easing of trade restrictions with China and continued coal-fired power generation in the fast-growing Asian region.

LNG

The volume of Queensland's LNG exports is estimated to grow a further 1½ per cent in 2024–25, following a record 23.7Mt in 2023–24. Global demand for LNG remains strong in Asia, as well as the Northern Hemisphere as Europe continues to moderate natural gas imports from Russia.

Domestically, it is expected that in the near term there will be sufficient production of natural gas to supply both the east coast domestic market and spot LNG cargoes above contracted amounts. However, LNG exports are expected to return to their contracted amounts and moderate 1½ per cent in 2025–26 and a further 3¾ per cent in 2026–27 as domestic southern gas fields deplete and conditions in the northern hemisphere market abate.

The Queensland Government is opening up new tenures for gas exploration and has provided funding to boost exploration in the Bowen Basin to support growth in gas supply. The government is working with the industry to unlock gas supply to bring down prices and attract investment, which will also create employment opportunities in Queensland including in regional communities over the medium-to-long term.

Metals

Queensland metals exports are forecast to rise 1¾ per cent in 2024–25 having normalised after several years of interruptions, and despite severe weather disruptions in early 2025.

From 2025–26, however, exports are expected to fall due to the closure of several large base metal mines, continuing the longer-term trend evident since 2013–14.

Agriculture

The volume of agricultural exports rose by 3.9 per cent in 2023–24, driven by increases in beef and sugar exports.

Agriculture exports are expected to strengthen by a further 11 per cent in 2024–25 to an all-time high, driven by strong beef, chickpea and wheat exports.

With the US currently in a herd rebuilding phase, it is anticipated strong demand for Australian beef over the forecast period will be maintained.

The trade conflict between US and China is also expected to benefit Australia's beef industry, with China having placed restrictions on US beef imports, allowing Australia to expand access to its market.

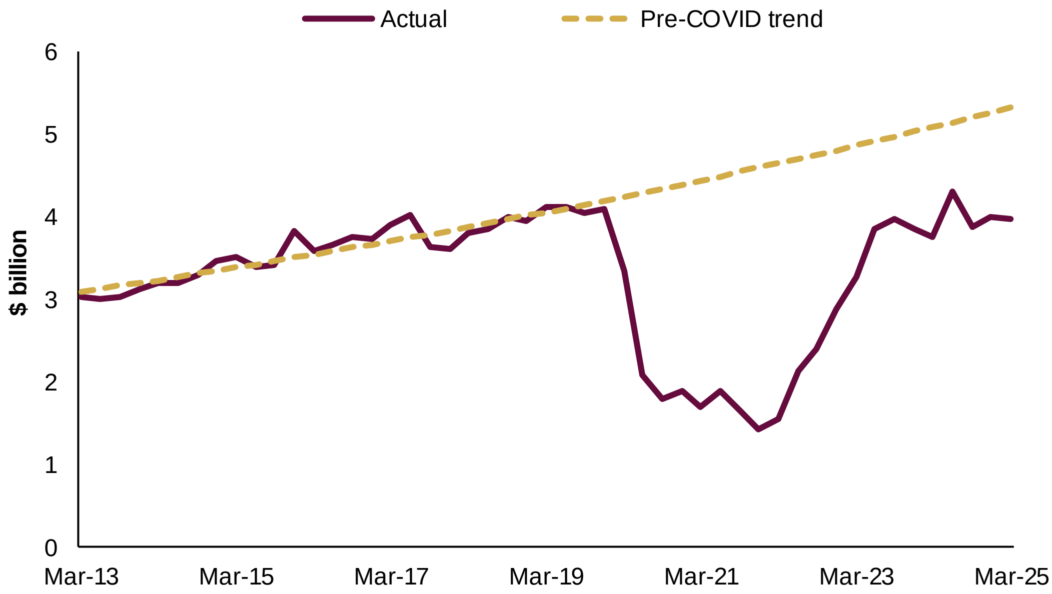
Over the medium term, agriculture exports are expected to moderate, driven by lower beef and cotton exports. Beef exports are expected to moderate from record highs, to facilitate a partial herd rebuild, with favourable weather conditions expected for pasture growth.

Services exports

International visitors and student arrivals recovered following the reopening of Australia's borders at the start of 2022. This was reflected in rapid growth in the level of services exports (Chart 1.3).

However, the rate of growth in the volume of services exports has started to ease, rising at a more moderate pace of 5.8 per cent in the year to March quarter 2025, with the level of services exports well below pre-COVID-19 trends.

Chart 1.3 Queensland services exports[1]



Note:

1. Quarterly, CVM, seasonally adjusted

Sources: ABS Balance of Payments and International Investment Position and Queensland Treasury.

The recovery in short-term visitor arrivals have been hampered by international airline capacity limitations and high travel costs.

However, on average, visitors are staying longer so the recovery in visitor nights spent in Queensland has been stronger than the recovery in visitor numbers.

The recovery in student numbers has also slowed with the Australian Government taking several policy measures to reduce overseas students as part of its migration strategy. The number of visas granted for overseas students to study in Queensland has fallen by 37.8 per cent over the 2 years to April 2025.

Imports

Growth in overseas imports to Queensland is expected to moderate to 3 per cent in 2024–25. Goods imports are expected to rise modestly, consistent with emerging private demand, while services imports are forecast to continue to grow strongly.

In 2025–26, growth in imports is expected to pick up to 4¾ per cent, in line with solid growth in household consumption and private investment. Beyond 2025–26, imports are forecast to grow strongly, reflecting solid domestic conditions and continued strength in services imports.

Box 1.3 US tariffs and implications for global trade

The global environment remains uncertain, with key risks to growth outlined in the 2024–25 Mid-Year Fiscal and Economic Review materialising.

Global trade tensions have escalated, with the US imposing new tariffs on multiple countries, resulting in retaliatory tariff announcements between the US and China — the world's 2 largest economies.

Most country-specific tariffs are currently subject to a 90-day pause, however a 10 per cent base rate and higher rates on specific goods remain (including 50 per cent on steel and aluminium articles). Trade policies are still evolving and where they settle remains uncertain.

The outlook for global trade has deteriorated, with associated uncertainty likely to constrain, or even shrink, global trade flows. Supply chains are being disrupted, some businesses are relocating production to avoid tariffs, while goods trade is likely to be redirected to avoid tariffs.

The World Trade Organisation now projects the volume of world merchandise trade to decline by 0.2 per cent in 2025, with trade policy shifts trimming nearly 3 percentage points from previously expected growth in global merchandise trade.

The possibility of a global trade war is ultimately expected to weaken economic activity, particularly for countries which have direct trade exposure and face higher tariffs. Major institutions, including the IMF, have cut growth forecasts with downgrades broad-based across countries. Negative risks prevail with the IMF recently expressing fears of recession in the US.

Modelling suggests relatively minor medium-term impacts on the Australian economy. For example, the 2025–26 Federal Budget presented modelling which indicated that such tariffs could reduce the level of Australian GDP by around 0.1 per cent and result in a temporary increase in 2025 inflation by around 0.1 percentage point.

While consumer prices are expected to rise in the US, the impact on Australian inflation is more complex and uncertain given the wide range of competing factors.

For Queensland, the US is not a significant export market, accounting for around 3 per cent of goods exports, mainly beef. Queensland steel and aluminium exports to the US account for a small proportion of exports, although Queensland is exposed to aluminium supply-chain linkages through other states and countries.

As a small open economy with substantial natural resources exports, the main risk to Queensland is reduced offshore demand for commodities and the displacement of private spending because of increased economic and financial uncertainty.

In particular, Queensland and Australian resources and agricultural exporters are exposed to potentially weaker demand from MTPs in Asia, particularly China.

Based on the IMF outlook, Queensland's major trading partner growth was downgraded by around ½ percentage point in both 2025 and 2026.

The actual impact on global trade, commodity prices and Queensland's MTPs will not be known for some time. Initial analysis suggests the impact on Queensland goods exports, as well as on spending decisions from households and businesses, is expected to lower GSP growth by ¼ of a percentage point in 2025–26 and for the level of GSP to remain around ¼ per cent lower across the forecast period.

While tariff negotiations are the remit of the Australian Government, trade missions provide an opportunity for the Queensland Government, through Trade and Investment Queensland (TIQ), to meet with our key trading partners, and communicate that Queensland is open for business.

In response to the US government tariff announcements, TIQ has formed a Tariff Response Unit, working to a 100-day plan to inform clients and stakeholders through stakeholder roundtables and a dedicated online Tariff Hub. As of 10 June 2025, the Tariff Response Unit had coordinated 15 roundtables and presentations, with 11 held to date reaching 210 businesses and stakeholders.

The dedicated online Tariff Hub is also the touch-point for Queensland exporters, where they can access the specially produced fact-sheets and resources produced by the Tariff Response Unit.

In the long-term, increased tariffs may lead to trade re-orientation, where regions and countries are seeking to mitigate potential tariffs and reinforce/create new strategic relationships. This is seeing potentially new structural shifts in trading relationships that present both opportunities and threats to Queensland and Australia, as partners consider longer-term commodity trades to mitigate trade deficits.

1.3.6 Labour market

Labour market conditions in Queensland remain strong.

The unemployment rate has averaged around 4 per cent during 2024–25, labour force participation has been elevated, and trend employment is up 2.8 per cent (or 83,400 persons) over the year to May 2025.

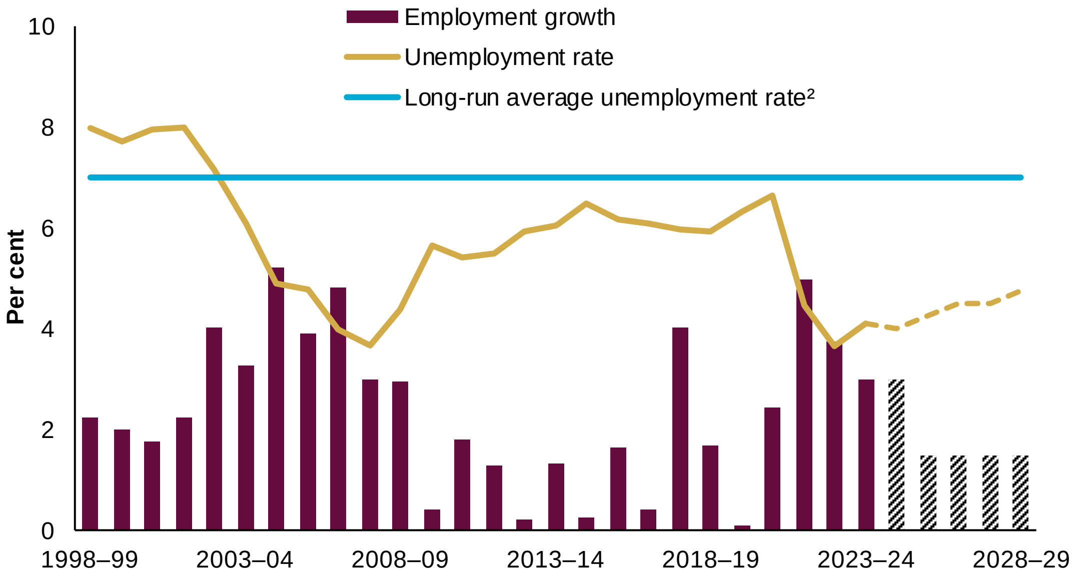
Leading indicators such as job vacancies suggest the tight labour market is persisting, although conditions are expected to soften gradually.

The job vacancy rate, which measures the number of job vacancies as a proportion of the labour force, has eased from an historic high of 3 per cent in September quarter 2022 to a still elevated 2¼ per cent in March quarter 2025.

Overall employment growth is expected to average 3 per cent in the year, before slowing to 1½ per cent in 2025–26, then stabilising over the remainder of the forward estimates period as the labour market continues to normalise and grow broadly in line with underlying population growth.

The unemployment rate is expected to average 4 per cent in 2024–25 and then gradually increase towards a rate more consistent with stable inflation, reaching 4¼ per cent in 2025–26, 4½ per cent in 2026–27, and eventually 4¾ per cent in 2028–29 (Chart 1.4).

Chart 1.4 Employment growth and unemployment rate, Queensland[1]



Notes:

1. Original, year-average. 2024–25 and beyond are forecasts/projections.
2. Long-run average unemployment rate since the inception of the ABS monthly series in 1978 is 7 per cent.

Sources: ABS Labour Force and Queensland Treasury.

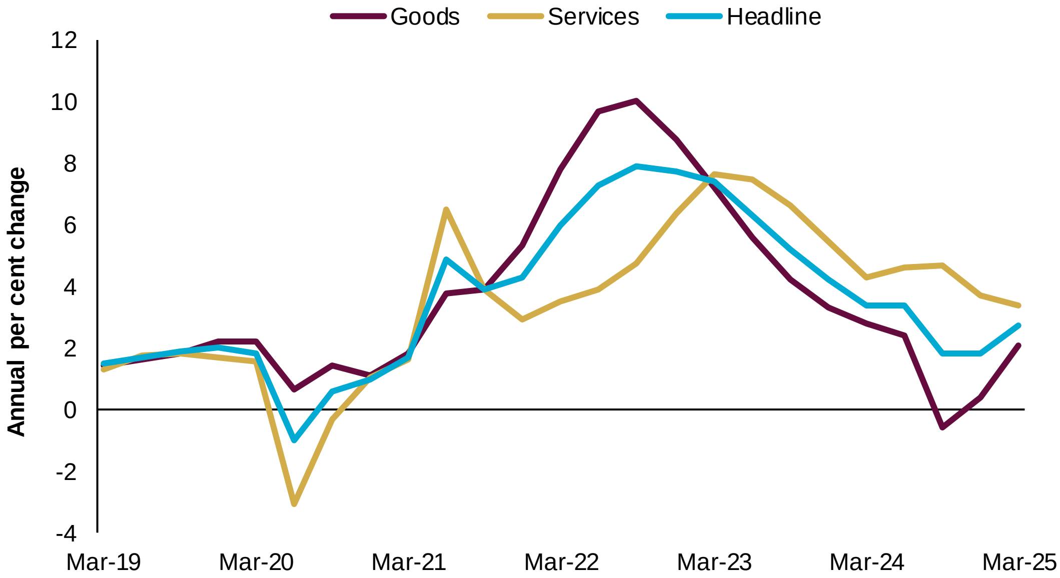
1.3.7 Prices and wages

In year-average terms, growth in Brisbane's CPI was 4.1 per cent in 2023–24, falling from 7.3 per cent in 2022–23, which was the highest year-average increase since 1989–90.

Brisbane's annual headline inflation fell to a low of 1.8 per cent in the September and December quarters of 2024, before rising to 2.7 per cent in March quarter 2025 as the impact of the government's temporary electricity rebate unwound.

Annual services inflation also continues to moderate, falling to 3.4 per cent in March quarter 2025, down from the recent peak of 7.6 per cent in March quarter 2023 (Chart 1.5).

Chart 1.5 Brisbane's consumer price index, by component[1]



Note:

1. Quarterly.

Source: ABS Consumer Price Index.

In year-average terms, Brisbane's overall CPI growth is expected to fall to 2 per cent in 2024–25. However, the scheduled unwinding of temporary government rebates is expected to see annual CPI growth strengthen to 3¼ per cent in 2025–26. This is in line with forecasts published in the 2024–25 Queensland Budget.

Queensland's tight labour market is continuing to support wages growth. Annual WPI growth in 2024–25 was 3.6 per cent in March quarter 2025, above the national average of 3.4 per cent.

Consistent with the expected gradual easing in labour market conditions, Queensland's WPI growth is expected to be 3¾ per cent in 2024–25, 3½ per cent in 2025–26 and 3¼ per cent in 2026–27. Queensland is expecting real wages growth in 2024–25, with ongoing real wage growth expected across the remainder of the forecast period.

1.3.8 Population

Queensland experienced a surge in population growth in recent years, primarily driven by a rebound in net overseas migration (NOM). Recent federal changes to Australia's Migration Strategy are expected to temper NOM from 2024–25 onwards.

Since its peak in 2022, net interstate migration has generally trended lower, moving towards pre-COVID-19 levels and this trend is expected to persist.

Taken together, Queensland's population growth is projected to moderate to 1¾ per cent in 2024–25, and 1½ per cent in 2025–26 and 2026–27.

1.4 Risks to the outlook

Global geopolitical tensions remain a key risk to the outlook. This includes the ongoing conflicts in Ukraine and the Middle East.

The heightened risk to global trade by US tariffs is likely to reduce global growth and potentially push up global inflation. Indirectly, shifting patterns of global trade are also likely to increase prices and reduce productivity.

Higher prices could impact central banks' decision-making, threatening the potential for the easing of monetary policy settings.

Australia is less directly impacted by US tariffs but there is a risk that renewed global uncertainty and financial market volatility could push up international risk premia and reduce both global and Australian investment.

Domestically, the risks of a hard economic landing have lessened with recent and prospective reductions in the cash rate. However, there is a risk disinflation could take longer than expected, which could delay monetary policy easing, potentially impacting economic growth.

There remains considerable uncertainty about the impact of policy changes on the number of international students and long-term migrants. Nationally, there are ongoing policy challenges in balancing national population growth to address skill shortages and support services exports against the risk of generating excess demand for housing.

There are continued challenges for the national and Queensland construction industry which has faced significant capacity constraints over recent years.

Competing demand for inputs given the substantial pipeline of public infrastructure investment also places pressure on the construction industry more broadly, which could lead to further supply constraints and higher prices which risk crowding out private business and residential investment.

Table 1.2 below provides a comprehensive set of forecasts of the key macroeconomic variables relating to the Queensland economy.

Table 1.2 Queensland economic forecasts[1]

	Actuals	Forecasts		
	2023–24	**2024–25**	**2025–26**	**2026–27**
Economic output[2]				
Household consumption	2.1	1	2½	2½
Dwelling investment	-1.8	3	3¼	4
New and used	1.8	4	7	6¼
Alterations and additions	-6.0	1¾	-1½	¾
Business investment	2.8	-1	1½	3¼
Non-dwelling construction	2.9	-1½	1¾	1
Machinery and equipment	1.6	-3½	-½	1¾
Private final demand	1.9	¾	2¼	2¾
Public final demand	5.6	6¾	5½	4¾
State final demand	**2.9**	**2½**	**3¼**	**3½**
Overseas exports[3]	12.5	3¼	2¼	½
Overseas imports[3]	7.4	3	4¾	5¾
Gross state product	**2.1**	**2½**	**2¾**	**2½**
Employment	3.0	3	1½	1½
Unemployment rate[4]	4.1	4	4¼	4½
Inflation[5]	4.1	2	3¼	2½
Wage Price Index	4.7	3¾	3½	3¼
Population	2.5	1¾	1½	1½

Notes:

1. Unless otherwise stated, all figures are annual percentage changes.
2. CVM, 2022–23 reference year. The comparable nominal GSP growth rates are 1.1 per cent in 2023–24, 3¾ per cent in 2024–25, 4 per cent in 2025–26 and 5 per cent in 2026–27.
3. Includes goods and services.
4. Per cent, year-average.
5. Brisbane, per cent, year-average.

Note: Queensland economic forecasts are based on several key assumptions, including:

- The RBA cash rate to progressively decline over 2025 and 2026
- In year-average terms, the A$ exchange rate to move towards US$0.72 by 2028–29
- The Brent oil price to move towards its assumed medium term fair value of US$75/bbl by 2029
- Residential property price growth in Brisbane will remain strong amid tight supply and strong demand as lower interest rates improve buyer sentiment
- A return to average seasonal rainfall across the forecast period
- The Australian Government's reforms to immigration will lead to a moderation in net overseas migration over the medium term.

Sources: ABS Annual State Accounts, Australian National Accounts, Balance of Payments and International Investment Position, National, State and Territory Population, Labour Force, Wage Price Index, Consumer Price Index and Queensland Treasury.